

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Charter Township of Oscoda Downtown Development Authority	County Iosco
Fiscal Year End 12/31/2005	Opinion Date 02/27/2006	Date Audit Report Submitted to State 05/24/2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

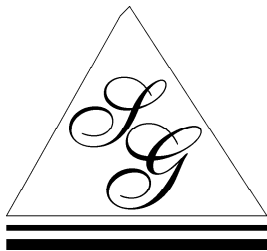
Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	The DDA is a component unit of Oscoda Township and a management letter was issued under said entity.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Stephenson, Gracik & Co., P.C.		Telephone Number (989) 362-4491	
Street Address 325 Newman Street, P.O. Box 592		City East Tawas	State Zip MI 48730
Authorizing CPA Signature 	Printed Name Donald W. Brannan	License Number 1101021039	



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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James J Gracik, CPA
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Kyle E Troyer, CPA

Herman A Bertuleit, CPA

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
IOSCO COUNTY, MICHIGAN

AUDITORS' REPORT
YEAR ENDED DECEMBER 31, 2005

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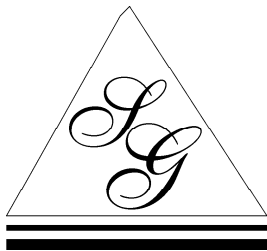
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February 27, 2006

Independent Auditors' Report

Members of the Authority Board
Charter Township of Oscoda
Downtown Development Authority
Iosco County, Michigan

We have audited the accompanying financial statements of the governmental activities and major fund of the Charter Township of Oscoda Downtown Development Authority, Iosco County, Michigan, a component unit of the Charter Township of Oscoda, as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements, as listed in the index. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Charter Township of Oscoda Downtown Development Authority, Iosco County, Michigan, as of December 31, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2006 on our consideration of the Charter Township of Oscoda Downtown Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Charter Township of Oscoda
110 S. State Street
Oscoda, Michigan 48750

Office of the Supervisor: (989) 739-3211

Office of the Clerk: (989) 739-4971

Office of the Treasurer: (989) 739-7471

Office of the Superintendent: (989) 739-8399

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the Charter Township of Oscoda Downtown Development Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended December 31, 2005.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$312,278.
- The Authority's total net assets increased by \$45,057.
- The Authority's governmental fund reported ending fund balance of \$312,278 this year, an increase of \$45,057. The entire amount is available for spending (*unreserved fund balance*).

Overview of the Financial Statements

The financial statements are organized so the reader can understand the Authority as a financial whole. The statements also provide a detailed look at specific financial conditions.

The Authority's basic financial statements are comprised of three components: The government-wide financial statements, fund financial statements, and notes to financial statements. Because the Authority is a single-purpose government, the government-wide and fund financial statements have been combined. The report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *statement of net assets* and the *statement of activities* display information about the Authority as a whole. The statements detail the activities of the Authority that are governmental in nature. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of net assets presents the financial condition of the Authority at year end. The statement of activities presents a comparison between direct expenses and program revenues of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. The Authority does not currently have any program revenues. Revenues that are not classified as program revenues are presented as general revenues of the Authority with certain limited exceptions. The comparisons of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the Authority.

The Authority is a component unit of the Charter Township of Oscoda. The Authority is separate and may buy, sell, lease, and mortgage property in their own name and can sue or be sued in their own name.

The Charter Authority of Oscoda Downtown Development Authority displays assets totaling \$312,278 comprised entirely of cash and cash equivalents.

Fund Financial Statements

The Authority uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Authority's fund is a governmental fund.

Governmental Funds:

Governmental funds are those through which all governmental functions of the Authority are financed.

Governmental fund reporting focuses on the sources, uses and balances of current financial resources.

Expendable assets are assigned to the governmental fund according to the purpose for which they may or must be used. The difference between governmental fund assets and liabilities is reported as fund balance. The following is the Authority's major governmental fund:

- Special Revenue Fund – This fund accounts for all financial transactions of the Authority, including the general operating expenditures. Revenues are derived primarily from property taxes. The fund was established to halt property value deterioration and to increase property tax valuation where possible in the business district of the Charter Township of Oscoda, to eliminate the causes of that deterioration and to promote economic growth.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on the Authority's *government-wide* and *fund* financial statements. Exhibit C note 1 provides a thorough view of various aspects of the audited financial statements.

Other Information :

In addition to the basic financial statements and accompanying notes, this report also presents a budget and actual statement.

Government-Wide and Fund Financial Analysis

The Authority's government-wide and fund financial statements have been combined as the amounts are the same. A reconciliation schedule is not necessary.

Summary of Net Assets:

The following summarizes the net assets of the Authority at December 31, 2005 and 2004:

	Net Assets Summary	
	<u>Governmental</u>	
	<u>Activities</u>	
	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Current Assets	\$ 312,278	\$ 267,443
Current Liabilities	<u>0</u>	<u>222</u>
Net Assets:		
Unrestricted	<u>\$ 312,278</u>	<u>\$ 267,221</u>

Summary of Changes in Net Assets:

Following is an analysis of the changes in net assets for 2005 and 2004:

Generally speaking, the Authority's net assets represent the difference between assets and liabilities. It is the Authority's practice, in general, to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

	Governmental	
	<u>Activities</u>	
	<u>Year Ended</u>	<u>Year Ended</u>
	<u>December 31, 2005</u>	<u>December 31, 2004</u>
General Revenues:		
Current Taxes	\$ 38,615	\$ 32,125
Interest on Investments	<u>7,584</u>	<u>2,058</u>
Total General Revenues	<u>46,199</u>	<u>34,183</u>
Program Expenses:		
Community and Economic Development	<u>1,142</u>	<u>751</u>
Change in Net Assets	45,057	33,432
Beginning Net Assets	<u>267,221</u>	<u>233,789</u>
Ending Net Assets	<u>\$ 312,278</u>	<u>\$ 267,221</u>

Governmental Activities

This component of reporting reflects the *Statement of Activities* and illustrates the expense incurred and revenue received.

Total governmental activities reveal revenues of \$46,199 from property taxes and interest on investments. Operating expenses totaled \$1,142 for these same activities.

Budgetary Highlights

Fiscal year 2005 saw the Authority Special Revenue Fund Balance increase from \$267,221 to \$312,278. This was the result of minimal expenditures of only \$1,142 in the year ending December 31, 2005. Actual expenditures were well below budgeted expenditures of \$11,700. However, the Downtown Development Authority engaged the services of a planning consultant during 2005 to develop specific streetscape improvement plans. Because these plans were not completed as of year end, the costs proposed in 2005 will carry over into Fiscal Year 2006.

Economic Factors

It is anticipated that financial activity of the Downtown Development Authority will increase in the future as efforts are undertaken to implement the tax increment finance and development plan. The hiring of the consultant referenced above represented a first step in this process. At that time the DDA was planning, based on information provided by the Michigan Department of Transportation, to pursue grant funding when the streetscape planning documents were completed. However, information received subsequently indicates that the project may be delayed due to a major renovation project which MDOT is planning on US 23 in the year 2012. In that instance, funding will continue to be set aside for local match to pursue grant funds when a project can be implemented.

Requests for Information

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Charter Township of Oscoda Superintendent, 1110 South State Street, Oscoda, Michigan, 48750.

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

GOVERNMENTAL FUND BALANCE SHEET/
STATEMENT OF NET ASSETS
December 31, 2005

	Special Revenue Fund	Adjustments	Statement of Net Assets
<u>Assets</u>			
Cash and cash equivalents (Note 2)	\$ 312,278	\$ 0	\$ 312,278
<u>Liabilities</u>	0	0	0
<u>Fund Equity/Net Assets</u>			
Fund balances:			
Unreserved, reported in:			
Special revenue fund	312,278	(312,278)	0
Total Liabilities and Fund Equity	\$ 312,278		
Net assets:			
Unrestricted		\$ 312,278	\$ 312,278

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

STATEMENT OF GOVERNMENTAL FUND REVENUE,
EXPENDITURES AND CHANGES IN FUND BALANCES/
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	<u>Total Governmental Fund/Statement of Activities</u>
<u>General Revenues</u>	
Current taxes	\$ 38,615
Interest on investments	<u>7,584</u>
Total revenue	<u>46,199</u>
 <u>Expenditures</u>	
Professional services	1,055
Other	<u>87</u>
Total expenditures	<u>1,142</u>
 Excess of revenue over expenditures	45,057
 <u>Fund balance/net assets:</u>	
Fund balance - beginning of year	<u>267,221</u>
 Fund balance - end of year	<u>\$ 312,278</u>

The accompanying notes to financial statements are an integral part of this statement.

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Authority conform to accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units. Private-sector standards of accounting issued after November 30, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The following is a summary of the significant accounting policies.

A. Description of Authority's Operations

The Charter Township of Oscoda Downtown Development Authority operates under the supervision and control of the Board of Trustees consisting of the Supervisor of the Charter Township of Oscoda and ten (10) members as provided by Act 197. The Authority was established to halt property value deterioration and to increase property tax valuation where possible in the business district of the Township, to eliminate the causes of that deterioration and to promote economic growth.

These financial statements have been combined with the Charter Township of Oscoda's basic financial statements, and are presented as a discrete component unit of the Township.

B. Basis of Presentation

The Authority's basic financial statements combine the government-wide financial statements and the fund financial statements as permitted because the Authority is a special purpose government that engages in a single type of activity. The statement of net assets is combined with the governmental fund balance sheet on Exhibit A, and the adjustment column reconciles the differences between the two statements. The statement of activities and governmental fund revenue, expenditures, and changes in fund balances are combined on Exhibit B where, the reconciling adjustment column is not included due to the information being the same for both statements.

Government-Wide Financial Statements

The governmental fund balance sheet/statement of net assets and the statement of governmental fund revenue, expenditures and changes in fund balance/statement of activities display information about the Authority as a whole.

The governmental fund balance sheet/statement of net assets presents the financial condition of the governmental activities of the Authority at year end. Governmental activities are normally supported by taxes and intergovernmental revenues. The statement of governmental fund revenues, expenditures and changes in fund balance/statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the Authority, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program is self-financing or draws from the general revenues of the Authority.

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (Continued)

Fund Financial Statements

During the year, the Authority segregates transactions related to certain Authority functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Authority at this more detailed level.

C. Fund Accounting

The Authority uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts.

Governmental Fund

Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the governmental fund according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The Authority's special revenue fund is considered a governmental fund.

D. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus.

All assets and all liabilities associated with the operation of the Authority are included on the statement of net assets.

Fund Financial Statements

The governmental fund is accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenue, expenditures, and changes in fund balance reflects the sources (i.e., revenues and other financial sources) and uses (i.e., expenditures and other financial uses) of current financial resources.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Basis of Accounting (Continued)

Revenues – Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recognized in the year in which the resources are measurable and become available. Available means the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Authority, available means expected to be received within sixty days after year end.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Authority must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the Authority's revenue sources are considered both measurable and available at year end.

Expenses/Expenditures

On the accrual basis, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgets and Budgetary Accounting

The Charter Township of Oscoda Downtown Development Authority normally follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Authority Chairman submits to the Authority Board a proposed operating budget which includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to January 1, the budget is legally enacted through passage of a Board motion.

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Budgets and Budgetary Accounting (Continued)

All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the Authority Board throughout the year.

Budgets shown in the financial statements are adopted on a basis consistent with generally accepted accounting principles, and consist only of those amounts contained in the formal budget approved and amended by the Authority Board.

G. Cash and Cash Equivalents

For presentation on the financial statements, investments in cash management pools and investments with an original maturity of three months or less at the time they are purchased by the Authority are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

Investments are reported at fair value, except for repurchase agreements and certificates of deposit which are reported at cost. Fair value is based on quoted market prices. Mutual funds are reported at current share price.

H. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the current year.

I. Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

At year-end, the Authority's deposits were reported in the basic financial statements in the following categories:

Cash and Cash Equivalents	<u>\$ 312,278</u>
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The breakdown between deposits is as follows:

Bank Deposits (checking account)	\$ 457
Investment in Municipal Investment Account	
Pooled Funds and Similar Vehicles	<u>311,821</u>
	<u>\$ 312,278</u>

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2005, the Authority had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Specific Identification Maturities</u>
Investment pools	<u>\$ 311,821</u>	Daily

Credit Risk

State law authorizes investments in investment pools as authorized by the Surplus Funds Investment Pool Act, Act No. 367 of the Public Acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a local governmental unit in Michigan. The Authority's investment pools are unrated.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. As of December 31, 2005, \$0 of the Authority's bank balance of \$457 was exposed to custodial credit risk.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities approved in the Authority's investment policy which is in accordance with State law.

Concentration of Credit Risk, Interest Rate Risk and Foreign Currency Risk

The Authority's investment policy does not address concentration of credit risk, interest rate risk or foreign currency risk.

Investments:

The Authority has adopted an investment policy in accordance with Act 196, PA 1997 which authorizes the Authority to deposit and invest in the following:

- * Accounts of federally insured banks, credit unions and savings and loan associations
- * Bonds and other direct obligations of the United States or an agency or instrumentality of the United States
- * United States government or federal agency obligation repurchase agreements
- * Banker's acceptances of United States banks

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2005

NOTE 2 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments: (Continued)

- * Commercial paper rated within the two highest classifications by not less than two standard rating services which matures not more than 270 days after the date of purchase
- * Mutual funds registered under the Investment Company Act of 1940, Title I of Chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation

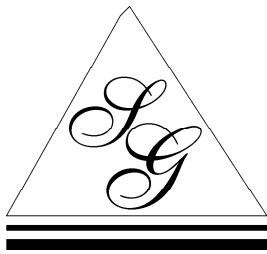
Michigan law requires that public funds may not be deposited in financial institutions that do not maintain an office in Michigan. The Authority's deposits and investments are in accordance with statutory authority.

REQUIRED SUPPLEMENTARY INFORMATION

CHARTER TOWNSHIP OF OSCODA
DOWNTOWN DEVELOPMENT AUTHORITY
Iosco County, Michigan

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2005

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenue</u>				
Current taxes	\$ 41,500	\$ 38,000	\$ 38,615	\$ 615
Interest on investments	<u>1,000</u>	<u>4,500</u>	<u>7,584</u>	<u>3,084</u>
Total revenue	<u>42,500</u>	<u>42,500</u>	<u>46,199</u>	<u>3,699</u>
<u>Expenditures</u>				
<u>Community and economic development</u>				
Professional services	11,000	11,000	1,055	9,945
Other	<u>700</u>	<u>700</u>	<u>87</u>	<u>613</u>
Total expenditures	<u>11,700</u>	<u>11,700</u>	<u>1,142</u>	<u>10,558</u>
Excess of revenue over expenditures	30,800	30,800	45,057	14,257
Fund balance - beginning of year	<u>267,221</u>	<u>267,221</u>	<u>267,221</u>	<u>0</u>
Fund balance - end of year	<u>\$ 298,021</u>	<u>\$ 298,021</u>	<u>\$ 312,278</u>	<u>\$ 14,257</u>



Stephenson Gracik & Co., P.C.

Certified Public Accountants & Consultants

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February 27, 2006

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Members of the Authority Board
Charter Township of Oscoda
Downtown Development Authority
Iosco County, Michigan

We have audited the financial statements of the governmental activities and major fund of the Charter Township of Oscoda Downtown Development Authority, as of and for the year ended December 31, 2005, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated February 27, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter Township of Oscoda Downtown Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Oscoda Downtown Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Authority Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties